

1                               **BEFORE THE ARIZONA CORPORATION COMMISSION**

2                               COMMISSIONERS

3                   JEFF HATCH-MILLER, Chairman  
4                   WILLIAM A. MUNDELL  
5                   MARC SPITZER  
                  MIKE GLEASON  
                  KRISTIN K. MAYES

In the matter of	)	
	)	DOCKET NO. S-03572A-04-0000
WSK ENERGY, L.L.C.	)	
23444 North 21 <sup>st</sup> Way	)	
Phoenix, Arizona 85024	)	DECISION NO. <u>68462</u>
	)	
KEVIN H. and JANE DOE KRAUSE	)	
Husband and wife	)	<b>ORDER TO CEASE AND DESIST AND</b>
23444 North 21 <sup>st</sup> Way	)	<b>ORDER FOR ADMINISTRATIVE</b>
Phoenix, Arizona 85024	)	<b>PENALTIES AND CONSENT TO SAME</b>
	)	<b>BY: WSK ENERGY, LLC</b>
	)	
Respondents.	)	
	)	

13  
14               Respondent WSK ENTERGY, L.L.C. elects to permanently waive any right to a hearing  
15 and appeal under Articles 11 and 12 of the Securities Act of Arizona, A.R.S. § 44-1801 *et seq.*  
16 (“Securities Act”) with respect to this Order To Cease And Desist and Order of Administrative  
17 Penalties and Consent to Same (“Order”). Respondent admits the jurisdiction of the Arizona  
18 Corporation Commission (“Commission”); neither admits nor denies the Findings of Fact and  
19 Conclusions of Law contained in this Order; and consents to the entry of this Order by the  
20 Commission.

21                               **I.**

22                               **FINDINGS OF FACT**

- 23               1.       WSK Energy, L.L.C. (“WSK”) is an Arizona limited liability company, formed on  
24 July 30, 2004, and currently located at 5941 E. Edgemont Avenue, Scottsdale, Arizona 85257.
- 25               2.       From approximately August 5, 2003 through October, 2004, Respondent offered  
26 securities in the form of investment contracts in an oil well located in Northern Arizona in which  
WSK had or would acquire a working interest (“26-1 Well”).

3. Respondent described its investment opportunity to offerees as a percentage of WSK's share of working interest in the 26-1 Well for a purchase price of \$7,500 for each one percent (1%) ("Participation Interests").

4. Respondent advertised its investment opportunity to the public through advertisements in the Arizona Republic.

5. Respondent had a website, wskenergy.com, in which it listed investment opportunity in the 26-1 Well. The website is no longer operational.

6. At all times relevant, Respondent Kevin Krause managed all of WSK's business operations and conducted all of its capital raising activities.

7. During the fall of 2004, WSK raised approximately \$172,500 from the sale of Participation Interests to at least four (4) Arizona investors.

8. At all times relevant, Respondent offered and sold securities while neither registered as a dealer or salesman nor exempt from registration.

9. At all times relevant, Respondent offered or sold securities that were neither registered nor exempt from registration.

10. Respondent Kevin Krause is no longer associated with WSK in any capacity.

11. Following the service of a Temporary Cease and Desist Order by the Commission upon Respondent, the Respondent informed the investors (a) that the Participation Interests were neither registered nor exempt from registration, (b) that Respondent and its agents were neither registered as a dealer or a salesman nor exempt from registration, and (c) of the risks associated with their investment. Respondent has afforded each investor the opportunity to have their investment redeemed.

## II.

### CONCLUSIONS OF LAW

1. The Commission has jurisdiction over this matter pursuant to Article XV of the Arizona Constitution and the Securities Act.

2. Respondent offered or sold securities within or from Arizona, within the meaning of A.R.S. §§ 44-1801(15), 44-1801(21), and 44-1801(26).

3. Respondent violated A.R.S. § 44-1841 by offering or selling securities that were neither registered nor exempt from registration.

4. Respondent violated A.R.S. § 44-1842 by offering or selling securities while neither registered as a dealer or salesman nor exempt from registration.

5. Respondent's conduct is grounds for a cease and desist order pursuant to A.R.S. § 44-2032.

6. Respondent's conduct is grounds for administrative penalties under A.R.S. § 44-2036.

### III.

#### ORDER

THEREFORE, on the basis of the Findings of Fact, Conclusions of Law, and Respondent's consent to the entry of this Order, attached and incorporated by reference, the Commission finds that the following relief is appropriate, in the public interest, and necessary for the protection of investors:

IT IS ORDERED, pursuant to A.R.S. § 44-2032, that Respondent, and any of Respondent's agents, employees, successors and assigns, permanently cease and desist from violating the Securities Act. Respondent shall not sell any securities in or from Arizona without being registered in Arizona as a dealer or salesman, or exempt from such registration. Respondent shall not sell securities in or from Arizona unless the securities are registered in Arizona or exempt from registration.

IT IS FURTHER ORDERED that Respondent comply with the attached Consent to Entry of Order.

IT IS FURTHER ORDERED, pursuant to A.R.S. § 44-2036, that Respondent shall pay an administrative penalty in the amount of \$5,000.00. Payment shall be made in full by cashier's

check or money order on the date of this Order, payable to the "State of Arizona." If Respondent does not comply with this order for administrative penalties, any outstanding balance may be deemed in default and shall be immediately due and payable.

IT IS FURTHER ORDERED, that if any Respondent fails to comply with this order, the Commission may bring further legal proceedings against that Respondent, including application to the superior court for an order of contempt.

IT IS FURTHER ORDERED that this Order shall become effective immediately.

BY ORDER OF THE ARIZONA CORPORATION COMMISSION

/s/ Jeffrey Hatch-Miller

CHAIRMAN

/s/ William A. Mundell

COMMISSIONER

/s/ Marc Spitzer

COMMISSIONER

/s/ Lowell Gleason

COMMISSIONER

/s/ Kristin K. Mayes

COMMISSIONER

IN WITNESS WHEREOF, I, BRIAN C. McNEIL, Executive Director of the Arizona Corporation Commission, have hereunto set my hand and caused the official seal of the Commission to be affixed at the Capitol, in the City of Phoenix, this 2nd day of February, 2006.

/s/ Brian C. McNeil

BRIAN C. McNEIL

Executive Director

DISSENT

DISSENT

This document is available in alternative formats by contacting Linda Hogan, Executive Assistant to the Executive Director, voice phone number 602-542-3931, E-mail [lhogan@azcc.gov](mailto:lhogan@azcc.gov).

(JC)

**CONSENT TO ENTRY OF ORDER**

1  
2           1.       Respondent WSK ENERGY, L.L.C., an Arizona limited liability company,  
3 (“Respondent”) admits the jurisdiction of the Commission over the subject matter of this  
4 proceeding. Respondent acknowledges that it has been fully advised of its right to a hearing to  
5 present evidence and call witnesses and Respondent knowingly and voluntarily waives any and all  
6 rights to a hearing before the Commission and all other rights otherwise available under Article 11  
7 of the Securities Act and Title 14 of the Arizona Administrative Code. Respondent acknowledges  
8 that this ORDER TO CEASE AND DESIST AND ORDER FOR ADMINISTRATIVE  
9 PENALTIES AND CONSENT TO SAME (“Order”) constitutes a valid final order of the  
10 Commission.

11           2.       Respondent knowingly and voluntarily waives any right under Article 12 of the  
12 Securities Act to judicial review by any court by way of suit, appeal, or extraordinary relief  
13 resulting from the entry of this Order.

14           3.       Respondent acknowledges and agrees that this Order is entered into freely and  
15 voluntarily and that no promise was made or coercion used to induce such entry.

16           4.       Respondent acknowledges that it has been represented by an attorney in this matter,  
17 it has reviewed this Order with its attorney and understands all terms it contains.

18           5.       Respondent neither admits nor denies the Findings of Fact and Conclusions of Law  
19 contained in this Order. Respondent agrees that it shall not contest their validity in any present or  
20 future administrative proceeding before the Commission or any other state agency concerning the  
21 denial or issuance of any license or registration required by the State to engage in the practice of  
22 any business or profession.

23           6.       By consenting to the entry of this Order, Respondent agrees not to take any action  
24 or to make, or permit to be made, any public statement denying, directly or indirectly, any Finding  
25 of Fact or Conclusion of Law in this Order or creating the impression that this Order is without  
26 factual basis.

1           7.       Respondent will undertake steps necessary to assure that all of its agents and  
2 employees understand and comply with this agreement.

3           8.       While this Order settles this administrative matter between Respondent and the  
4 Commission, Respondent understands that this Order does not preclude the Commission from  
5 instituting other administrative proceedings based on violations that are not addressed by this  
6 Order.

7           9.       Respondent understands that this Order does not preclude the Commission from  
8 referring this matter to any governmental agency for administrative, civil, or criminal proceedings  
9 that may be related to the matters addressed by this Order.

10          10.      Respondent understands that this Order does not preclude any other agency or  
11 officer of the state of Arizona or its subdivisions from instituting administrative, civil or criminal  
12 proceedings that may be related to matters addressed by this Order.

13          11.      Respondent agrees that it will not apply to the state of Arizona for registration as a  
14 securities dealer or salesman or for licensure as an investment adviser or investment adviser  
15 representative until such time as all penalties under this Order are paid in full.

16          12.      Respondent agrees that it will not exercise any control over any entity that offers or  
17 sells securities or provides investment advisory services within or from Arizona until such time as  
18 all penalties under this Order are paid in full.

19          14.      Respondent agrees that it will not sell any securities in or from Arizona without  
20 being properly registered in Arizona as a dealer or salesman, or exempt from such registration; it  
21 will not sell any securities in or from Arizona unless the securities are registered in Arizona or  
22 exempt from registration; and it will not transact business in Arizona as an investment adviser or  
23 an investment adviser representative unless properly licensed in Arizona or exempt from licensure.

24          15.      Respondent acknowledges and understands that if it fails to comply with the  
25 provisions of the order and this consent, the Commission may bring further legal proceedings  
26 against it, including application to the superior court for an order of contempt.

16. Respondent agrees that until penalties are paid in full, Respondent shall notify the Director of the Securities Division within 30 days of any change in business address and any change in Respondent's ability to pay amounts due under this Order. Respondent agrees that it shall provide the Commission with an updated financial statement every six months from entry of this Order or when any change in its ability to pay restitution occurs. Respondent agrees that failure to perform any action in this paragraph shall result in it being in default with any outstanding balance being immediately due and payable without notice or demand.

17. Respondent understands that default shall render it liable to the Commission for its costs of collection and interest at the maximum legal rate.

18. Respondent agrees and understands that if it fails to make any payment as required in the Order, any outstanding balance shall be in default and shall be immediately due and payable without notice or demand. Respondent agrees and understands that acceptance of any partial or late payment by the Commission is not a waiver of default by the Commission.

19. Respondent agrees that it will continue to cooperate with the Securities Division including, but not limited to, providing complete and accurate testimony at any hearing in this matter and cooperating with the state of Arizona in any related investigation or any other matters arising from the activities described in this Order.

21. Respondent consents to the entry of this Order and agrees to be fully bound by its terms and conditions.

22. PAUL WINSLOW represents that he is the Managing Member of Respondent and has been authorized by Respondent to enter into this Order for and on behalf of it. PAUL WINSLOW represents that he is authorized by law to enter into this Order for and on behalf of Respondent.

WSK ENERGY, LLC, an Arizona limited liability company

By: /s/ Paul Winslow

Its: Managing Member

SUBSCRIBED AND SWORN TO BEFORE me this 30th day of December, 2005.

/s/ Craig A. Moore

NOTARY PUBLIC

My Commission Expires:

5-19-2009